

AUTHORIZE THE SALE OF MUSCLE SHOALS TO HENRY FORD

FEBRUARY 26, 1925.—Ordered to be printed

Mr. McKENZIE, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 518]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 518) to authorize and direct the Secretary of War, for national defense in time of war and for the production of fertilizers and other useful products in time of peace, to sell to Henry Ford, or a corporation to be incorporated by him, nitrate plant No. 1, at Sheffield, Ala.; nitrate plant No. 2, at Muscle Shoals, Ala.; Waco Quarry, near Russellville, Ala.; steam power plant to be located and constructed at or near Lock and Dam No. 17 on the Black Warrior River, Ala., with right of way and transmission line to nitrate plant No. 2, Muscle Shoals Ala.; and to lease to Henry Ford, or a corporation to be incorporated by him, Dam No. 2 and Dam No. 3 (as designated in H. Doc. 1262, 64th Cong., 1st sess.), including power stations when constructed as provided herein, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment, as follows:

In lieu of the matter proposed by said amendment, insert:

That the United States nitrogen fixation plants numbered 1 and 2, located, respectively, at Sheffield, Alabama, and Muscle Shoals, Alabama, together with all real estate and buildings used in connection therewith; all tools, machinery, equipment, accessories, and materials thereunto belonging; all laboratories and plants used as auxiliaries thereto, the Waco limestone quarry in Alabama, and any others used as auxiliaries of said nitrogen plants numbered 1 and 2; also Dams numbered 2 and 3 located in the Tennessee River at Muscle Shoals, their power houses, their auxiliary steam plants and all of their hydroelectric and operating

appurtenances, together with all machines, lands, and buildings now owned or hereafter acquired in connection therewith, are hereby dedicated and set apart to be used for national defense in time of war, and for the production of fertilizers and other useful products in time of peace.

Sec. 2. That whenever, in the national defense, the United States shall require all or any part of the operating facilities and properties or renewals and additions thereto, described and enumerated in the foregoing paragraph of this act, for the production of materials necessary in the manufacture of explosives or other war materials, then the United States shall have the immediate right, upon five days' notice to any person or persons, corporation, or agent, in possession of, controlling, or operating said property under any claim or title whatsoever, to take over and operate the same in whole or in part, together with the use of all patented processes which the United States may need in the operation of said property for national defense.

The foregoing clauses shall not be construed as modified, amended, or repealed by any of the subsequent sections or paragraphs of this act, or by indirection of any other act.

Sec. 3. That in order that the United States may have at all times an adequate supply of nitrogen for the manufacture of powder and other explosives, whether said property is operated and controlled directly by the Government or its agents, lessees, or assigns, under any and all circumstances at least ten thousand tons the third year, twenty thousand tons the fourth year, thirty thousand tons the fifth year, and thereafter forty thousand tons of fixed nitrogen must be produced annually at nitrogen fixation plant No. 2 or its equivalent, and no lease, transfer, or assignment of said property shall be legal or binding on the United States unless such adequate annual production of fixed nitrogen is guaranteed in such lease, transfer, or assignment.

Sec. 4. That since the production and manufacture of commercial fertilizers is the largest consumer of fixed nitrogen in time of peace, and its manufacture, sale, and distribution to farmers and other users, at fair prices and without excessive profits, in large quantities throughout the country is only second in importance to the national defense in time of war, the production of fixed nitrogen as provided for in this act shall be used, when not required for national defense, in the manufacture of commercial fertilizers. In order that the experiments heretofore ordered made may have a practical demonstration, and to carry out the purposes of this act, the lessee or the corporation shall manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, on the property hereinbefore enumerated, or at such other plant or plants here thereto as it may construct, using the most economic source of power available, with an annual production of these fertilizers that shall contain fixed nitrogen of at least ten thousand tons the third year, twenty thousand tons the fourth year, thirty thousand tons the fifth year, and forty thousand tons the sixth year.

The farmers and other users of fertilizer shall be supplied with fertilizers at prices which shall not exceed 8 per centum above the fair annual cost of production.

Sec. 5. That the President is hereby authorized and empowered to lease the properties, enumerated under section 1 of this act as a whole, with proper guaranties for the performance of the terms of the lease, for a period not to exceed fifty years: Provided, That said lease shall be made

only to an American citizen, or citizens, or to an American owned, officered, and controlled corporation; and, if leased, in the event at any time the ownership in fact or the control of such corporation should directly or indirectly come into the hands of an alien or aliens, or into the hands of an alien owned or controlled corporation or organization, then said lease shall at once terminate and the properties be restored to the United States. The Attorney General of the United States is given full power and authority, and it is hereby made his duty to proceed at once in the courts for cancellation of said lease in the event said properties are found to be alien owned or controlled and are not voluntarily restored. The lessee shall be required and obligated to carry out in the production of nitrogen and the manufacture and sale of commercial fertilizer the purposes and terms enumerated in sections 1, 2, 3, and 4 of this act and such other terms not inconsistent therewith as may be agreed to in the lease contract. The lessee shall pay an annual rental for the use of said property an amount that shall not be less than 4 per centum on the total sum of money expended in the building and construction of Dam Number 2 and Dam Number 3, when completed, at Muscle Shoals and the purchase and emplacement of all works and machinery built or installed in connection therewith for the production of hydroelectric power: Provided, however, That no interest payment shall be required upon the cost of the locks at Dam Numbered 2 and Dam Numbered 3. The lease shall also provide the terms and conditions under which the lessee may sell and dispose of the surplus electric power created at said plants. The lease shall also provide for the protection of navigation at said Dam Number 2 and Dam Number 3, when completed, and the operation of the locks connected therewith. The lease contemplated in this section shall be made with the understanding that the United States shall complete and have ready for operation Dam Numbered 2, and the locks connected therewith, together with the plants and machinery for the production of electric power, and that after the lease is entered into the lessee shall maintain the property covered by the lease in good repair and working condition for the term of the contract.

Time shall be made of the essence of the contract herein provided for, and failure on the part of the lessee to comply with the terms of said contract shall render the same terminable at the option of the United States, provided that written notice of the exercise of such option shall be served upon the lessee at any time within one year following any breach of said contract. Whereupon the property covered by said lease shall be turned over, without expense, to the United States upon demand, and said lessee shall be liable for any damage sustained by the United States as a consequence of said lease and the acts of said lessee.

Sec. 6. That in the event the President is unable to make a lease under the terms of the power herein granted to him before the 1st day of December, 1925, then the United States shall maintain and operate said properties described in section 1, in compliance with the terms and conditions set forth in sections 1, 2, 3, and 4, of this act, and under the power and authority prescribed and granted in the following sections of this act.

Sec. 7. That the President is hereby authorized and empowered to designate any five persons to act as an organization committee for the purpose of organizing a corporation under authority of, and for the purposes enumerated in this act.

Organization

The persons so designated shall, under their seals, make an organization certificate, which shall specifically state the name of the corporation to be organized, the place in which its principal office is to be located, the amount of capital stock, and the number of shares into which the same is divided, and the fact that the certificate is made to enable the corporation formed to avail itself of the advantages of this act. The name of the corporation shall be *The Muscle Shoals Corporation*.

The said organization certificate shall be acknowledged before a judge of some court of record or notary public, and shall be, together with acknowledgment thereof, authenticated by the seal of such notary or court, transmitted to the President, who shall file, record, and carefully preserve the same in his office. Upon the filing of such certificate with the President as aforesaid, the said corporation shall become a body corporate, and as such, and in the name *The Muscle Shoals Corporation*, have power—

First. To adopt and use a corporate seal;

Second. To have succession for a period of fifty years from its organization, unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of law;

Third. To make contracts, and no such contract shall extend beyond the period of the life of the corporation;

Fourth. To sue and be sued, complain, and defend in any court of law or equity;

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this act; to define their duties, to fix their salaries, in its discretion to require bonds of any of them, and to fix the penalty thereof, and to dismiss at pleasure any of such officers or employees;

Sixth. To prescribe by its board of directors by-laws not inconsistent with law regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed;

Seventh. To exercise by its board of directors or duly authorized officers or agents all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business for which it is incorporated within the limitations prescribed by this act, but such corporation shall transact no business except such as is incidental and necessary preliminary to its organization until it has been authorized by the President to commence business under the provisions of this act.

The corporation shall be conducted under the supervision and control of a board of directors consisting of five members, to be selected by the President. The directors so appointed shall hold office at the pleasure of the President. The President shall designate a chairman of the board, who shall have power to designate one of the others as vice chairman. The vice chairman shall perform the duties of chairman in the absence of the chairman. Not more than two of such directors shall be appointed from officers in the War Department.

The board of directors shall perform the duties usually appertaining to the office of directors of private corporations and such other duties as are prescribed by law.

Powers of the corporation

The corporation shall have power—

(a) *To purchase, acquire, operate, and develop in the manner prescribed by this act and subject to the limitations and restrictions thereof the following properties owned by the United States:*

1. *United States nitrogen-fixation plants numbered 1 and 2, located, respectively, at Sheffield, Alabama, and Muscle Shoals, Alabama, together with (a) all real estate used in connection therewith; (b) all tools, machinery, equipment, accessories, and materials thereunto belonging; (c) all laboratories and plants used as auxiliaries thereto, the Waco limestone quarry in Alabama, Dam Numbered 2 at Muscle Shoals and the hydroelectric power plant connected therewith, together with the steam plants used as auxiliaries of the United States nitrogen-fixation plants numbered 1 and 2, together with all other property described in section 1 of this act.*

2. *To construct, purchase, maintain, and operate all such buildings, plants, and machinery as may be necessary for the production, manufacture, sale, and distribution of fixed nitrogen and other forms of commercial fertilizer.*

3. *Any other plants or parts of plant, equipment, accessories, or other properties belonging to the United States, which are under the direct control of the President or of the War Department, and which the President may deem it advisable to transfer, convey, or deliver to said corporation for use in connection with any of the purposes of this act or for any purpose incidental thereto.*

(b) *To acquire, establish, maintain, and operate such other laboratories, and experimental plants as may be deemed necessary or advisable to assist it in furnishing to the United States Government and others, at all times, nitrogen products for military or other purposes in the most economical manner and of the highest standard of efficiency.*

(c) *To sell to the United States such nitrogen products as may be manufactured by said corporation for military or other purposes.*

(d) *To sell any or all of its products not required by the United States to producers or users of fertilizers or to others: Provided, That in the sale of such products not required by the United States Government preference shall be given to those persons engaged in agriculture: Provided further, That if such products are sold to others than users of fertilizers the corporation shall require as a condition of such sale, the consent of the purchaser to the regulation by the corporation of the prices to be charged users for the product so purchased or any product of which the product purchased from the corporation shall form an ingredient.*

(e) *The operation of the hydro-electric power plant and steam power plants at Muscle Shoals and the use and sale of the electric power to be developed therefrom that is not required to carry out the terms imposed by sections 1, 2, 3, and 4 of this act.*

(f) *To enter into such agreements and reciprocal relations with others as may be deemed necessary or desirable to facilitate the production and sale of nitrogen products on the most scientific and economic basis.*

(g) *To purchase, lease, or otherwise acquire United States or foreign patents and processes or the right to use such patents or processes.*

(h) *To obtain from the United States or from foreign governments patents for discoveries or inventions of its officers or employees as a condition of their employment to enter into agreements with the com-*

pany that the patents for all such discoveries or inventions shall be and become in whole or in part the property of the corporation.

(i) To assume any or all obligations of the United States entered into in connection with the construction, maintenance, and operation of the plants to be transferred to the corporation under the provisions of this act.

(j) To deposit its funds in any Federal reserve bank, or with any member bank of the Federal reserve system.

(k) To sell and export any of its surplus products not purchased by the United States or by persons, firms, or corporations within the United States.

(l) To invest any surplus of available funds not immediately used for the operation, construction, or maintenance of its plants or properties in the United States bonds or other securities issued by the United States.

(m) To lease or purchase such buildings or properties as may be deemed necessary or advisable for the administration of the affairs of the corporation or for carrying out the purposes of this act; and with the approval of the President to lease to other persons, firms, or corporations, or to enter into agreements with others for the operation of such properties not used or needed for the purposes named herein. In the operation, maintenance, and development of the plants purchased or acquired under this act the corporation shall be free from the limitations or restrictions imposed by the act of June 3, 1916, and shall be subject only to the limitations and restrictions of this act.

Capital stock and bonds

The capital stock of the corporation shall consist of one hundred shares of common stock of no par value. The corporation shall also issue an amount of twenty-year bonds bearing interest at the rate not exceeding 5 per centum per annum which shall be a first lien on the property of the corporation and in an amount not to exceed \$50,000,000 to be sold from time to time as needed to carry out the purpose of this act: Provided, That the principal and interest of said bonds shall be paid by the Secretary of the Treasury out of funds in the Treasury not otherwise appropriated upon default at any time in payment as herein provided by the corporation. The terms for the sale of said bonds shall be approved by the President.

In exchange for the properties purchased or acquired from the United States and from time to time transferred, conveyed, or delivered to the corporation by the President or the Secretary of War, and for all unexpended balances now under the control of the Secretary of War and applicable to the nitrate plants at or near Muscle Shoals, Alabama, the corporation shall cause to be executed and delivered to the President a certificate for all of the common stock of the corporation. The certificate shall be evidence of the ownership by the United States of all stocks of the corporation.

In consideration of the issuance of such common stock to the President, the President is authorized and empowered to transfer, convey, and deliver to the corporation all of the real estate, buildings, tools, equipment, supplies, and other properties, belonging to, used by, or appertaining to the plants and properties to be acquired by the corporation under the terms of this act, and to transfer, convey, and deliver as and when he may deem it advisable any other equipment, accessories, plants,

or parts of plants, or other property referred to in this act, and which the corporation is authorized to acquire or purchase from the United States under its provisions.

Distribution of earnings

All net earnings of the corporation, not required for its organization, operation, and development, shall be used—

- (a) To pay interest on the bonds and create a fund for their payment;
- (b) To develop and improve its plants and equipment;
- (c) To create a reserve or surplus fund until such fund amounts to \$2,500,000;
- (d) The remainder to be paid as dividends on the stock into the Treasury of the United States as miscellaneous receipts.

Miscellaneous

The corporation shall not have power to mortgage or pledge its assets, or to issue bonds secured by any of its properties; except as hereinbefore provided.

The United States shall not be liable for any debts, obligations, or other liabilities of the corporation, except the principal and interest of the bond issue herein provided for.

The corporation and all of its assets shall be deemed and held to be instrumentalities of the United States and as such they and the income derived therefrom shall be exempt from Federal, State, and local taxation. The directors, officers, attorneys, experts, assistants, clerks, agents, and other employees of the corporation shall not be officers or employees of the United States within the meaning of any statutes of the United States and the property and moneys belonging to said corporation, acquired from the United States, or from others, shall not be deemed to be the property and money of the United States, within the meaning of any statutes of the United States.

The accounts of the corporation shall be audited under the regulations to be prescribed by the President, who shall annually report to Congress a detailed statement of the fiscal operations of said corporation.

Sec. 8. That the President is hereby authorized to complete the construction of Dam Number 3 and the necessary approach to the locks in Dam Number 2 in the Tennessee River at or near Muscle Shoals, Alabama, in accordance with report submitted in House Document 1262, Sixty-fourth Congress, first session: Provided, That the President may in his discretion make such modifications in the plans presented in such report as he may deem advisable in the interest of power or navigation, and the President is hereby authorized to include Dam Numbered 3 when completed in the same lease with Dam Numbered 2 and, except as otherwise indicated, said lease shall be under the same terms as are herein specified for said Dam Numbered 2.

Sec. 9. The surplus power not required under the terms of this act for the manufacture of nitrogen, fertilizer or materials which are used or included in the manufacture of mixed fertilizer shall be sold for distribution.

Sec. 10. That as a condition of any lease, entered into under the provisions of this act, every lessee hereunder which is a public-service corporation, or a person, association, or corporation developing, transmitting, or dis-

tributing power under the lessee either immediately or otherwise, for sale or use in public service, shall abide by such reasonable regulation of the services rendered to customers or consumers of power, and of rates and charges of payment thereof, as may from time to time be prescribed by any duly constituted agency of the State in which the service is rendered or the rate charged. That in case of the development, transmission, or distribution, or use in public service of power by any lessee hereunder or by its customer engaged in public service within a State which has not authorized and empowered a commission or other agency or agencies within said State to regulate and control the services to be rendered by such lessee or by its customer engaged in public service, or the rates and charges of payment thereof, or the amount or character of securities to be issued by any of said parties, it is agreed as a condition of such lease that jurisdiction is hereby conferred upon the commission created by the act of Congress approved June 10, 1920, upon complaint of any person aggrieved or upon its initiative, to exercise such regulation and control until such time as the State shall have provided a commission or other authority for such regulation and control: Provided, That the jurisdiction of the commission shall cease and determine as to each specific matter of regulation and control prescribed in this section as soon as the State shall have provided a commission or other authority for the regulation and control of that specific matter.

Sec. 11. That when said power or any part thereof shall enter into interstate or foreign commerce the rates charged and the service rendered by any such lessee, or by any subsidiary corporation, the stock of which is owned or controlled, directly or indirectly, by such lessee, or by any person, corporation, or association purchasing power from such lessee for sale and distribution or use in public service shall be reasonable, nondiscriminatory, and just to the customer and all unreasonable, discriminatory, and unjust rates or services are hereby prohibited and declared to be unlawful; and whenever any of the States directly concerned has not provided a commission or other authority to enforce the requirements of this section within such States or to regulate and control the amount and character of securities to be issued by any of such parties or such States are unable to agree, through their properly constituted authorities, on the services to be rendered or on the rates or charges of payment therefor, or on the amount or character of securities to be issued by any of said parties, jurisdiction is hereby conferred upon the said commission, upon complaint of any person aggrieved, upon the request of any State concerned, or upon its own initiative, to enforce the provisions of this section, to regulate and control so much of the services rendered, and of the rates and charges of payment therefor as constitute interstate or foreign commerce and to regulate the issuance of securities by the parties included within this section, and securities issued by the lessee subject to such regulations shall be allowed only for the bona fide purpose of financing and conducting the business of such lessee.

The administration of the provisions of this section, so far as applicable, shall be according to the procedure and practice in fixing and regulating the rates, charges, and practices of railroad companies as provided for in the Act to regulate commerce, approved February 4, 1887, as amended, and that the parties subject to such regulation shall have the same rights of hearing, defense, and review as said companies in such cases.

In any valuation hereunder for purposes of rate making no value shall be claimed or allowed for the rights granted by this act or under any lease executed thereunder.

Sec. 12. If any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Sec. 13. That in order that farmers and other users of fertilizer may be supplied with fertilizers at a maximum net profit not exceeding 8 per centum annually upon the fair annual cost of production, the lessee shall agree to the creation of a board of not more than nine (9) voting members, chosen as follows: The three (3) leading representative farm organizations, national in fact, namely the American Farm Bureau Federation, the National Grange, the Farmers' Educational and Cooperative Union of America, or their successor or successors (said successor or successors to be determined, in case of controversy, by the Secretary of Agriculture), shall each designate not more than seven (7) candidates for said board in the first instance and thereafter, for succession in office, not more than three (3) candidates. The President shall select for membership on this board not more than seven (7) of these candidates, selected to give representation to each of the above-mentioned organizations, and there shall be two voting members of said board selected by the lessee: Provided, That not more than one shall be selected by the President from the same State: Provided further, That if either or any of said farm organizations or its or their successors by reason of the expiration of its or their charter or ceasing to function or failing to maintain its organization or for any cause or reason should decline, fail, or neglect to make such designations, then the Secretary of Agriculture shall make such designation or designations for such or all of said organizations as may so decline, fail, or neglect to make such designation; and if such designation is made by the Secretary of Agriculture for only one or two of said organizations, then such designation shall be made so as to give the remaining organization or organizations the same right and in the same proportion to designate candidates for said board as in the first instance and just as though all of said organizations were making such designation: Provided, however, That a failure to make designations at any one time shall not thereafter deprive any organization of its original rights under this section: And provided further, That the terms of office of the first seven candidates selected by the President on the designation of said farm organizations shall be as follows: Two for a period of two years, two for a period of four years, and the remaining three for a period of six years, and thereafter the nominations for membership on said board made by the President, except for unexpired terms, shall be for six years each. None of the members of said board shall draw compensation from the Government, except that any which may be nominated on the designation of the Secretary of Agriculture under the provisions hereof shall receive from the Government their actual expenses while engaged in work on said board. A representative of the Bureau of Markets, Department of Agriculture, or its legal successor, to be appointed by the President, shall also be a member of the board serving in an advisory capacity without the right to vote. The said board shall employ a competent and disinterested firm of certified public accountants satisfactory to the lessee, which accountants shall determine for the said board what has been the cost of manufacture and sale of fertilizer products

and the price which has been charged therefor. The said board shall have authority if necessary, for the purpose of limiting the annual profit to 8 per centum as aforesaid, to regulate the price at which said fertilizers may be sold by the lessee. The said firm of certified public accountants for these purposes shall have access to the books and records of the company at any reasonable time. In order that such fertilizer products may be fairly distributed and economically purchased by farmers and other users thereof, the said board shall determine the equitable territorial distribution of the same and may in its discretion make reasonable regulation for the sale of all or a portion of such products by the company to farmers, their agencies or organizations.

Sec. 14. That no lease made under the terms of this act shall be transferred without the approval of the President of the United States.

Sec. 15. That all laws and parts of laws in conflict herewith be, and the same are hereby, repealed.

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title and agree to the same.

JOHN C. MCKENZIE,

JOHN M. MORIN,

PERCY E. QUIN,

Managers on the part of the House.

HENRY W. KEYES,

W. B. MCKINLEY,

JOHN B. KENDRICK,

Managers on the part of the Senate.

